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DEPARTMENT OF HOMELAND SECURITY

U.S. Customs and Border Protection

Modification of the National Customs Automation Program (NCAP) Test Regarding Reconciliation and Transition of the Test from the Automated Commercial System (ACS) to the Automated Commercial Environment (ACE)

AGENCY: U.S. Customs and Border Protection, Department of Homeland Security.

ACTION: General notice.

SUMMARY: This document announces that certain previously announced modifications to the National Customs Automation Program (NCAP) test regarding reconciliation will become operational, and that the test program will transition from the Automated Commercial System (ACS) to the Automated Commercial Environment (ACE).

DATES: As of February 24, 2018, the modifications to the reconciliation test will become operational. As of the same date, the test will transition into ACE, and ACS will be decommissioned for the filing of reconciliation entries.

ADDRESSES: Comments concerning this test program may be submitted via email, with a subject line identifier reading, "Comment on Reconciliation test" to OFO-RECONFOLDER@cbp.dhs.gov.

FOR FURTHER INFORMATION CONTACT: Randy Mitchell, Commercial Operations and Entry Division, Trade Policy and Programs, Office of Trade at (202) 863-6532 or RANDY.MITCHELL@CBP.DHS.GOV.

SUPPLEMENTARY INFORMATION:

I. Background

A. Reconciliation Test Program

Title VI of the North American Free Trade Agreement (NAFTA) Implementation Act (Pub L. 103-182, 107 Stat. 2057, 2170, December 8, 1993), commonly known as the Customs Modernization Act or Mod Act, amended the Tariff Act of 1930 and related laws, in part, to increase voluntary compliance with customs laws and improvements to customs enforcement. Subtitle B of Title VI established the National Customs Automation Program (NCAP) which is an automated and electronic system for processing commercial importations, and includes the testing of existing and planned components. (19 U.S.C. 1411). Section 637 of the Mod Act amended Section 484 of the Tariff Act of 1930 to establish a new section (b), entitled “Reconciliation”, a planned component of the NCAP. (19 U.S.C. 1484(b), 19 U.S.C. 1411(a)(2)(C)).

Reconciliation is the process that allows an importer, at the time an entry summary is filed, to identify indeterminable information (other than that affecting admissibility) to U.S. Customs and Border Protection (CBP) and to provide that outstanding information at a later date. The importer identifies the outstanding information by means of an electronic “flag” which is placed on the entry summary at the time the entry summary is filed and payment (applicable duty, taxes, and fees) is made.

Section 101.9(b) of Title 19 of the Code of Federal Regulations (19 CFR 101.9(b)) provides for the testing of NCAP components. *See* T.D. 95-21, 60 FR 14211 (March 16, 1995). The reconciliation test was established pursuant to this regulation, and is currently being tested in the Automated Commercial System (ACS). CBP announced and explained the test in a general notice published in the *Federal Register* (63 FR 6257) on February 6, 1998. Clarifications and

operational changes were announced in subsequent *Federal Register* notices: 63 FR 44303 (August 18, 1998); 64 FR 39187 (July 21, 1999); 64 FR 73121 (December 29, 1999); 66 FR 14619 (March 13, 2001); 67 FR 61200 (September 27, 2002) (with a correction document published at 67 FR 68238 (November 8, 2002)); 69 FR 53730 (September 2, 2004); 70 FR 1730 (January 10, 2005); 70 FR 46882 (August 11, 2005); 71 FR 37596 (June 30, 2006); 78 FR 27984 (May 13, 2013); and 79 FR 34334 (June 16, 2014). On September 13, 2000, CBP extended the test indefinitely in a notice published in the *Federal Register* (65 FR 55326).

B. Transition to the Automated Commercial Environment

The Security and Accountability for Every (SAFE) Port Act of 2006 (Pub. L. 109-347, 120 Stat. 1884) modified the Mod Act and added subsection (d) to 19 U.S.C. 1411. This subsection established the International Trade Data System (ITDS) which allows for the collection and distribution of standard import and export data required by CBP through a single portal system. The Automated Commercial Environment (ACE), the “single window,” is an automated and electronic system for commercial trade processing which is intended to streamline business processes, facilitate growth in trade, ensure cargo security, and foster participation in global commerce, while ensuring compliance with U.S. laws and regulations and reducing costs for CBP and all of its communities of interest. The ability to meet these objectives depends on successfully modernizing CBP’s business functions and the information technology that supports those functions.

Over the last several years, CBP has tested ACE and provided significant public outreach to ensure that the trade community is fully aware of the transition from ACS to ACE. On October 13, 2015, CBP published an Interim Final Rule in the *Federal Register* (80 FR 61278) that designated ACE as a CBP-authorized EDI system, to be effective November 1, 2015. In the

Interim Final Rule, CBP stated that ACS would be phased out and anticipated that ACS would no longer be supported for entry and entry summary filing. Filers were encouraged to adjust their business practices so that they would be prepared when ACS was decommissioned.

CBP has developed a staggered transition strategy for decommissioning ACS to give the trade additional time to adjust their business practices. The phases of the transition were announced in several *Federal Register* notices. See 81 FR 10264 (February 29, 2016); 81 FR 30320 (May 16, 2016); 81 FR 32339 (May 23, 2016); 82 FR 38924 (August 16, 2017); and 82 FR 51852 (November 8, 2017). This notice announces a further transition as CBP is transitioning the reconciliation test from ACS to ACE.

C. Modifications of the Reconciliation Test

On December 12, 2016, CBP published a notice in the *Federal Register* (81 FR 89486) announcing modifications to the reconciliation test and the transition of the test from ACS to ACE, effective January 14, 2017. On January 17, 2017, CBP published a notice in the *Federal Register* (82 FR 4901) announcing that the effective date for the test modifications and transition would be delayed indefinitely. Then, on June 8, 2017, CBP published a notice in the *Federal Register* (82 FR 26699) announcing that the modifications to the test and the transition would be effective on July 8, 2017. Subsequently, on June 30, 2017, CBP published a notice in the *Federal Register* (82 FR 29910) announcing that the effective date for the modifications to the reconciliation test and for mandatory filing of reconciliation entries in ACE had been delayed until further notice.

II. Announcement of Reconciliation Test Transitioning into ACE and Modifications To Test Becoming Operational

This notice announces that, beginning February 24, 2018, all reconciliation entries must be filed in ACE regardless of whether the underlying entry was filed in ACS or ACE and regardless of whether it is a replacement, substitution or follow-up to a reconciliation entry originally filed in ACS, and ACS is decommissioned for the filing of such entries. In addition, as of February 24, 2018, the test modifications announced in the December 12, 2016 notice will become operational.

Dated: January 12, 2018.

Brenda B. Smith,
Executive Assistant Commissioner,
Office of Trade.

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